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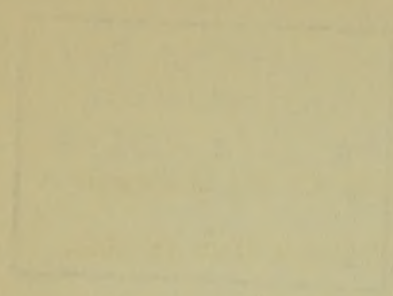
ADDRESS OF H. R. TOLLEY, ASSISTANT ADMINISTRATOR
OF THE AGRICULTURAL ADJUSTMENT ADMINISTRATION,
AT THE AMERICAN INSTITUTE OF COOPERATION, MADISON,
WISCONSIN, MONDAY, JULY 9, 10 A. M., CENTRAL
STANDARD TIME.

THE PLACE OF THE COOPERATIVES IN THE
AGRICULTURAL ADJUSTMENT PROGRAM

In talking with you here today, I feel as if I were returning to old friends and a familiar subject. For a long time I have been deeply interested in the cooperative movement and the problems of cooperatives, and my first work with the Agricultural Adjustment Administration brought me in close touch with several of the leading cooperative marketing organizations.

The agricultural adjustment program in reality is much larger than the Agricultural Adjustment Administration. In the last analysis it is a program of the farmers themselves. The Adjustment Administration is a Government agency established by Congress to aid farmers as a group in making national and regional adjustments which will restore farm purchasing power and the exchange value of farm products.

The problems faced by the Adjustment Administration, like those faced by the cooperatives, are not entirely problems in economics or political science. They also involve human relationships--the same ones that are met in any community or any neighborhood. The other day I heard about a neighbor-



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WASHINGTON, D. C.
JANUARY 1, 1900

THE STATE OF THE DEPARTMENT OF THE TREASURY
FOR THE YEAR 1900

As the year 1900 has now passed, I feel as if I can honestly say that the Department has been successful in its efforts to improve the condition of the Treasury and to bring about a more efficient and economical management of the public affairs. The Department has been able to secure a more complete knowledge of the financial condition of the Government and to bring about a more complete knowledge of the financial condition of the Government.

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hood situation which I think illustrates the larger situations the cooperatives and the Government are attempting to deal with. It seems that in this neighborhood about 20 farmers up and down a certain road had banded together to obtain the construction of a power line at low cost. All the financial arrangements had been made and the power company was about to go ahead with construction of the line. Then there was an unexpected hitch. Members of one family, although they wanted the electric service, objected to giving right-of-way on their land for the poles. The company would not proceed with the construction without this right-of-way. There the matter was deadlocked for more than a year. Neighbors used all forms of persuasion and cajolery to bring the rugged individualists into line, but to no avail. Finally a solution was worked out whereby the line was routed across the road and back of all the other farm houses. The neighbors, thoroughly angry at the dissenting family, swore that never with their consent would this family be allowed to tap this line. It is interesting to note that in spite of the determination of these neighbors, the dissenters did later succeed in hooking onto the line and obtaining power.

But the point is that here in this little neighborhood was a situation which had in it the same elements as the situations faced continually by cooperative associations and society as a whole. Ninety-five per cent of these farmers wanted electricity badly enough to give the right-of-way for the poles. The other five per cent would not go along. And so the 95 per cent were, for more than a year, prevented from doing what they wanted to do and were already organized to do.

In considering the place of the cooperatives in the agricultural adjustment program, one immediately faces the question, What do we mean by "cooperatives"? One may think of cooperatives as groups of farmers banded together for specific purposes of selling, buying or producing, or performing services like spraying or threshing. However, cooperatives in the usual sense are thought of as groups of farmers banded together primarily for marketing their products. It is to this type of cooperative that I will devote most of my remarks in this paper.

The agricultural adjustment program can be conceived broadly as including readjustments and changes in many lines--taxes, credit, international trade, land utilization, and rural organizations and institutions--as well as adjustments in the volume of production of the different commodities and in marketing methods and practices. It is with these last two phases of adjustment that the AAA is directly concerned.

Now, in considering the place of the marketing cooperatives in these phases of agricultural adjustment and the relation of the cooperatives to the work of the Agricultural Adjustment Administration, we must face the question, What can the cooperatives do in adjusting production by commodities, and in toto? Since most cooperative marketing associations are organized along commodity lines, obviously they can not do much in toto, except as adjustments by commodities add up to the whole. Possible accomplishments of a single cooperative depend upon the proportion of producers who belong to the cooperative and whether the members attempt to adjust their production. For example, a small cooperative creamery could do nothing significant in dairy production

adjustment even if its membership included all the producers in the territory and all worked together perfectly to this end. A large cooperative--for example, the Pure Milk Association of Chicago or the Dairymen's League of New York--which has a dominating position in the area covered or market served can, if the members desire to work together to this end, exert an appreciable influence in adjustments in production that will help the incomes of the members. But adjustment in dairy production is a national problem. Dairy production in every area competes more or less directly with dairy production in every other area. Also, the fluid milk producers compete more or less directly with the producers of manufactured products.

A similar national problem exists in the citrus industry, where production is divided among several widely separated areas. The possibility of effective cooperation between the growers in areas as far apart as California, Texas, Florida and Puerto Rico appears to be so remote that it can scarcely be expected to result from any program lacking Government support.

Even though cooperative leaders have talked much about controlling the volume of their products and it has been accepted as one of the objectives of cooperatives, the fact is that the cooperative associations organized primarily for marketing have not, except in isolated instances, brought materially increased returns to farmers through adjustments in volume of production.

It is true that many cooperatives have done much in regularizing and adjusting the time, place and rate of marketing, and also in improving the quality of products placed on the market. But regulating volume of production is, I believe, a more fundamental problem. At least, that is the most important of the tasks to which the A.A.A. is dedicated.

Why have not the cooperatives done more in this direction? I think one of the principal reasons is that the cooperatives have been organized primarily for another purpose - selling the products of their members - and the officers, directors and hired men of the cooperatives have found themselves very busy with this job, with little time left for any others. A second reason is that often members of cooperatives, or at least their managers, have measured their success in terms of member returns as compared to the returns of non-members. Naturally the members want to feel that they are receiving advantages which the non-members do not have, and the managers whose job it is to keep the organizations intact if possible, strive to preserve and increase these advantages.

But probably the most potent reason is that few of the cooperatives have had control of a large enough proportion of the production of any one commodity to have any hope of success in regulating total volume of production. Adjustment of this kind, where large numbers of individual producing units are involved, usually requires that each producer sacrifice some opportunity which he as an individual might have in order that all producers may benefit. In other words, the individual can profit most from production adjustment efforts - - at least when a downward adjustment is called for - - if other producers will do the adjusting. In those few cases in this country where cooperative effort to adjust production downward had been seriously undertaken prior to the advent of the Agricultural Adjustment Administration, the program had broken down sooner or later because the cooperating producers came to feel that the cost to them was too great. The effort at adjustment of grape production in California in 1930 and 1931 is an example.

The grape industry program which was developed under the Grape Control Board involved a surplus control plan for raisins and fresh grapes. It attempted to control the surplus of raisins and reduce market supplies of fresh grapes. This program was put into effect after a growers' sign-up of the major portion of the industry amounting to 85 percent. Subsequent events proved that under this voluntary plan the grape growers could not carry out surplus control. The growers who did not sign up naturally were not willing to bear their share of the cost; this placed a burden on the balance of the industry. Not only the heavy costs to those who participated but the discrimination involved in such a voluntary plan was too heavy on the participants and it was not long before human nature took its usual course and the program failed.

Adjustment of production is not of course synonymous with reduction of production. Keeping agricultural production so adjusted to the demands of the market that agricultural incomes will be at a maximum, may at times call for expansion of production, or for a shift on the part of some producers from production of one commodity to the production of another commodity. Faced as we have been for the past four years with vast accumulations of stocks of most of our staple farm products, with radically reduced purchasing power among our domestic consumers and curtailed outlets abroad, adjustments in all lines have necessarily been downward adjustments, and agricultural adjustment has in the popular mind come to mean reduction in production. But we cannot starve ourselves rich, and continued curtailment in agriculture and in other lines of production would in the end lead to lower standards of living for all the people. As surplus stocks of agricultural products are worked down, as continuing nation recovery gives consumers

greater purchasing power, and as foreign trade revives, agricultural adjustment should soon come to call for judicious increases in many lines of production over the severely-restricted volume of 1933 and 1934.

Plans must be made for the adjustments--whether upward or downward--which will keep agricultural production in balance with effective demand, and give producers their fair share of the national income. To make and carry out those plans is a gigantic task requiring the best efforts of all the farmers, all their organizations, and all the governmental agencies created to serve them.

The cooperatives, organized to sell products already produced, can of course help materially if they will--but it will require a much greater degree of cooperation than has yet been achieved. To what extent can the cooperatives overcome the handicaps which have hindered their effectiveness in this direction in the past? And how can the cooperatives work most effectively with each other, with unorganized farmers, and with governmental agencies?

As I have already said, one of the chief handicaps is that the cooperatives are organized for marketing, and are busy at that, with no time for production. This handicap can be overcome, it seems to me, in part at least, if the directors, officers and managers of cooperatives dedicate more of their efforts to the production problem. It might be worth more in the long run to their members than the strenuous striving to obtain a better market price for members than is obtained by non-members, or to keep a competing cooperative from obtaining a foothold.

But is it not likely that a cooperative or a large group of cooperatives organized primarily for adjustment of production rather than for selling can contribute more than many of the present associations? We have, as a result

of the past year of the A.A.A., the beginnings of this, in the county and community adjustment associations for wheat, cotton, corn and hogs, and tobacco. It seems to me that the best results can be obtained if these can grow into vigorous production adjustment cooperatives organized primarily for this one purpose--working with the other cooperative groups wherever they are present and with overlapping membership--to the common end of increasing the incomes and improving the living of farmers and their families.

Production control associations for the contract signers in the cotton, wheat, corn-hog, tobacco and rice programs are based on charters that are very similar to each other in nature. After the initial signup is completed, the signers form production-adjustment associations to take charge of the further details of the program. The signers in each township or precinct meet to elect a chairman and a permanent committee. Chairmen from the several townships or precincts, sitting together, constitute the county board. The boards of the county associations work through special committees, one of the most important of which is the allotment committee, charged with checking and adjusting individual farmers' allotments.

It is likely that in the future these associations will undergo some modifications in form. If a composite contract covering an entire farm is formulated, it may be advisable to have a single association in each county. This might be departmentalized for the various commodities affected.

But these associations, formed for cooperation in adjusting production, would in no sense conflict with the associations which farmers have already formed to market their products.

Production adjustment under the Agricultural Adjustment Act to date has been for the most part a voluntary cooperative effort, with only those

involved who voluntarily contract with the Secretary of Agriculture. Exceptions are a few marketing agreements which have included production adjustment provisions, the Bankhead Act for cotton, the Jones-Costigan Sugar Act, and the Kerr-Smith Act for tobacco.

The problem of returns to cooperators as compared with returns to non-cooperators has been in the foreground since the first production adjustment program was inaugurated under the Agricultural Adjustment Act. The processing-tax-benefit-payment device has made it possible for cooperators in these programs to receive at least as much and usually more net income than the non-cooperators.

Confirming the experience in cooperation with which this group is all too familiar, it has been found in every signup undertaken thus far that there is a sizeable percentage of rugged individualists who will not voluntarily cooperate with their fellow producers for the benefit of all. No amount of persuasion by their neighbors, no amount of patriotic appeal would avail, and not even the direct pecuniary benefits which would accrue to them through the AAA could induce them to sign up.

Cotton growers carried out 1,000,000 adjustment contracts in 1933; their signatures represented 73 per cent of the total cotton acreage. Wheat growers signed more than 550,000 adjustment contracts for the 1933-34 crop; their signatures represented 77 per cent of the total area sown to wheat. Tobacco growers signed approximately 275,000 adjustment contracts for the 1934 crop; their signatures represented 95 per cent of the tobacco acreage of the country. Corn-hog farmers signed over 1,000,000 contracts to be effective in 1934; their signatures represented between 60 and 70 per cent of the hogs in the Corn Belt.

The fact that a minority insisted on staying out led to a powerful demand on the part of cotton producers for the Bankhead Act and of tobacco producers for the Kerr Act, passed in the closing hours of the last Congress. Under the Bankhead Act every cotton producer, whether or not he is cooperating in the voluntary adjustment program, receives a definite quota for cotton for marketing in 1934. A tax equal to half the value of the cotton is placed on all cotton ginned in excess of the quota.

The Kerr-Smith Tobacco Act levies, on non-contract signers, a tax of from 25 to 33-1/3 per cent of the sales value of tobacco. (A few special types grown in restricted areas are exempt from the Act in 1934.) Contract signers will receive tax-exempt warrants to cover the number of pounds of tobacco which they are allowed to market under their voluntary agreements with the Secretary. On allotments up to 6 per cent of the amount of tobacco in each county allotted to contract signers tax-free warrants may be issued. These will be available to deserving producers who could not qualify for an equitable base under the voluntary contract. The real purpose of this Act is to insure that the benefits of tobacco adjustment programs shall go in the fullest measure to those cooperating in these programs.

The farmers of the country must some day decide whether production adjustment will go forward under the urge of voluntary cooperation, with assistance from the Government to voluntary cooperators and with the non-cooperators left free to do as they please; whether it will be carried out through definite quotas and allotments imposed by the Government on each individual producer; or whether those who desire to cooperate will call upon the Government to compel an unwilling minority to so order their production that they will not defeat the purposes of the majority.

One of the much-discussed and widely-maligned amendments to the Agricultural Adjustment Act which were before Congress at the last session provided that specific limitations with respect to quotas for producers should be placed on the general marketing agreement and license powers already authorized by the Act. Under this amendment, as proposed, the consent of two-thirds of the producers, either by number or volume of production, would have been necessary before quotas for a certain specified list of commodities could have been established through agreements and licenses. Following is the wording of the amendment as proposed by the Administration:

"(C) The Secretary of Agriculture shall not incorporate in any license issued pursuant to this subsection (3), except a license relating to rice, milk and its products, peanuts, flax, dry edible beans, vegetables, fruits (including nuts), or naval stores (including crude oleoresin), provisions for the establishment of quotas or allotments limiting the amounts of the commodity with respect to which such license is issued which may be purchased or in any other way received, by any licensee or licensees from any or all producers; and no license providing for such quotas or allotments shall be issued unless the Secretary of Agriculture determines that such provisions have been requested (I) by more than two-thirds of the producers who have been engaged in the production for market of such commodity within the area covered by such license during such period as the Secretary of Agriculture determines to be a representative period of such production, or (II) by producers controlling more than two-thirds of the average acreage, or producing for market more than two-thirds of the average production for market of such commodity within the area covered

by such license during such period as the Secretary of Agriculture determines to be a representative period of such production."

The proposed amendment was later modified in committee, with the approval of the Administration, by an added clause providing that a majority by number of the producers affected by a license would have the power to exclude any provisions of the license before or after it was issued.

Vociferous objection to this provision was made in the Senate (and by some who appeared before the Senate committee) on the ground that this would destroy the inalienable right of every man to do as he pleases regardless of the wishes of a majority of his neighbors and the economic consequences to all producers. It is true that, as some of the opponents said, this power in the hands of an unscrupulous Government official might be abused, but the same is true of any power delegated to any Government official or department. But would it not be a thoroughly democratic procedure to use the power of Government to compel an unwilling minority to accept the procedure desired by the overwhelming majority?

Here I wish to interject one definite thought about the proposed amendments. They will undoubtedly be reintroduced in the next session of Congress. You may be certain the resistance to them will be renewed.

The amendments were not proposed in the interests of the Agricultural Adjustment Administration or because of any wish of the Secretary of Agriculture for broader powers.

The amendments were worked out in response to demands of farmers, particularly members of cooperatives, for more effective enforcement of

marketing agreements and licenses. They were worked out by farm organization leaders with us and were unanimously indorsed by the National Agricultural Conference of these leaders. The amendments are not fixed or unchangeable in form, but have been altered and we hope will be developed further to meet the wishes of the farm groups.

Enactment or rejection of these amendments, in pending or improved form, is not the responsibility of the Adjustment Administration. That is the responsibility of Congress. And I firmly believe that Congress will enact the amendments if it is convinced that the farmers earnestly want them enacted. Enactment of the amendments therefore is a question which the farmers, speaking individually and through their cooperatives and other organizations, are in the best position to answer. To an important degree, the question is up to the cooperatives, because it is they who are most interested in enforcement of marketing agreements and licenses.

Production adjustment, in any event, can be carried out only with the active support of most of the producers. Our entire political and social structure is based on the principle of majority rule. If this principle is to be applied to economic affairs, it would seem that the minority must be prepared to submit to the wishes of the majority.

To date, the cooperatives have been most directly concerned in the marketing agreement and licensing phases of the Agricultural Adjustment Act. The agreements and licenses are designed to enhance returns to farmers through control and adjustment of marketings. Some of the agreements contain in addition, provisions concerning trade practices, charges, and so on, not unlike those contained in many of the codes of fair competition under the NRA.

The marketing agreements have been only indirectly instruments for adjustment of production. However, if producers and associations of producers (in the language of the Act) so desire, it may be possible in the future to use marketing agreements as more direct instruments of production adjustment.

A wide variety of devices has been employed in marketing agreements developed thus far. Many have fixed prices to be paid to producers. Among these are agreements affecting milk, cling peaches and tobacco. Some agreements in the early days of the A.A.A. fixed resale prices as well. This was true of milk, peaches and olives. But no agreements with fixed resale prices have been approved in recent months. Some agreements, as for instance the citrus marketing agreements, contain no price provisions. Since the volume of supplies has such an important bearing on price, many of the marketing agreements provide for some control of supplies. It is true that most of those to date have provided for control of supplies already produced, rather than for control of production. The total quantity to be marketed in a given period is determined by a board or committee usually consisting of producers and marketers in equal numbers, and these total quantities are then pro-rated to the various marketing agencies on the basis of the quantity available for market by the growers selling through each agency under the agreement, the quantity marketed in past years by each agency, or some other equitable basis. Sometimes the pro-ration is carried directly back to growers, as is being provided in this year's cling peach marketing agreement. But in many, pro-ration among growers is left to each marketing agency. Of course a cooperative which uses a pooling system automatically carries pro-ration back to growers.

Some of the marketing agreements provide for setting aside a certain proportion of the supply from the regular channels of trade and diverting them to by-products in years when production is excessive. This is true of the walnut and raisin agreements already in operation and the prune agreement in the course of being developed.

In practically all cases, blanket licenses containing substantially the same provisions as the marketing agreements have been issued under the licensing power of the Act, with the licenses applicable to non-signers as well as to signers of the agreements. Here again, it has been found that only in exceptional industries will all of the marketers voluntarily agree to participate in a program designed to benefit the entire industry. Some rugged individualists will not cooperate.

In the marketing agreements the processors and distributors -- whether cooperative or proprietary -- are used as the agency for controlling and adjusting movement to market. Under a marketing agreement and license all the marketers participate in an industry marketing program, and hence the supply of all producers is, in effect, pooled, in respect to the provisions of the agreement.

The marketing agreement and license make possible the control of marketings which so many of the cooperatives have been striving for.

In many of the milk sheds, farmers' cooperatives have for years been exercising a real measure of control over milk marketing, but their power has always been weakened by the fact that not all the producers in the shed join the cooperative. In citrus fruit marketing, the cooperatives have been influencing very materially the volume of supply moving to market and the time and rate of movement, but they have been handicapped by

uncontrolled supplies of non-members and by supplies from competing areas. The series of citrus marketing agreements and accompanying licenses has in the past year demonstrated the value of all working together.

The California citrus industry is recognized as one in which cooperative organizations have taken the leadership in marketing for many years. Despite the efficiency of their distribution, the expansion of production which has occurred since the war has been greater than could be effectively distributed at satisfactory prices to producers, because of the reduced buying power of consumers. This has been true both of the navel orange crop which is marketed in competition with Florida and of the Valencia orange crop which is not competitive with Florida. In the season of 1933 the supply of Valencia oranges was so large that a voluntary proration agreement was entered into by all of the larger marketing agencies and a number of individual shippers. These agencies ship more than 90 percent of the Valencia crop. Despite the large percent of the industry which was cooperating it was found that the small minority outside the agreement shipped quantities considerably in excess of their proper proportion. In other words this small minority profited by the sacrifices of the large majority. The experience under this voluntary agreement led the industry to develop a marketing agreement under the A.A.A. which has been in operation since December, 1933.

The Florida citrus situation is very different from that in California. The cooperative tonnage is less than half the entire volume and the balance is scattered widely among several hundred shippers who in some cases market tonnage grown by them and in many instances market supplies accumulated from small growers. Repeated efforts have been made in recent

years to regulate shipments from Florida, but actual experience has proven the extreme difficulty of operations of this character without the full cooperation of all shippers. During the last few months the prices secured for products as a result of the marketing agreement have been most satisfactory and probably could not have been secured in any other way.

Plans for national pro-ration under a national citrus agreement are now going forward, though they are not in actual operation.

Cooperative marketing of potatoes is being carried on at present by organizations which have been in operation for as long as 40 years in several different producing areas. With one possible exception the present cooperatives do not handle as much as half the crop in any producing area and in most cases this percentage varies from one-fourth to one-third of the total volume. It appears that there is little likelihood in the near future of the cooperative marketing associations securing and holding a large percentage of the business. However, the industry as a whole has an opportunity to join in a common effort through a marketing agreement or a series of agreements to stabilize production in the various districts and to regulate shipments to market. The first steps in carrying out this development are now being taken in the Middle Atlantic States.

Numerous potato producing districts are in direct or indirect competition with each other. It might be possible to develop a series of marketing agreements through which the different areas might cooperate with each other in a production and marketing program which would be reasonably satisfactory in returns to producers and at the same time avoid the wide variations in potato production from year to year.

Even the walnut growers of the country, 90 percent of whom belong to a single cooperative marketing association, asked for and obtained a marketing agreement, under which in the past year marketing has been very successful.

Walnut growers are receiving for last season's crop about \$9,000,000, which is \$3,000,000 more than it appeared the growers had hope of receiving on entering the season. The control board, established under the AAA marketing agreement, set aside 30 percent of the supply for foreign export and by-products.

In practically every marketing agreement, one or more cooperative marketing associations have been involved. The negotiation and development of the agreements, and operations under the agreements and licenses, have brought into focus many problems as to the place of the cooperative in this phase of agricultural adjustment, the relation of the cooperatives to the AAA, and the relation between the cooperatives and proprietary marketing agencies.

Experience has shown that the cooperatives have an important place in this phase of agricultural adjustment, and that they may come to have a more important place than they have occupied to date. The present series of milk marketing licenses has been developed largely in collaboration with the cooperative bargaining associations in the milk sheds, although dealers' problems are of course considered and dealers and their representatives have been consulted freely.

The object of the milk licenses is to obtain as large an income for producers as is possible in the face of limited buying power of consumers and a widespread condition of relative over-supply. When the adjustment program was getting under way last year, an attempt was made to improve

conditions in fluid milk markets by a series of marketing agreements, in which producers' prices and resale prices were fixed. Milk distributors and processors, as well as cooperative associations of producers, were parties to these agreements. However, it was found impracticable and inadvisable for the Administration to enforce resale milk prices. Furthermore, the distributors, in becoming voluntary parties to the agreements, frequently exerted pressure for provisions favorable to themselves regardless of the effect upon producers. Some of these difficulties are avoided in the present licenses.

The main object of the milk licenses is to assure minimum prices to producers. Conditions vary from market to market, and the licenses contain provisions adapted to local conditions. Both in the formulation of the licenses and in their enforcement, the Administration has worked closely with cooperative associations of producers.

In ~~the marketing~~ agreements and licenses in general, the cooperatives appear in a double function. They are associations of producers and they are marketing agencies. Hence they occupy a strategic position which neither unorganized producers nor proprietary marketing agencies can occupy.

The question has often been asked: Why does not the AAA give greater recognition to cooperatives? The fact is that the AAA must recognize all producers, whether cooperative or not, and arrange that benefits to producers be spread equitably among all. As Administrator Davis expressed it in a recent speech:

"The Agricultural Adjustment Administration is obliged to look at the cooperative picture and the farm picture as a national one, not as a regional or local one exclusively. We are concerned with all milk producers

and their problems, irrespective of whether they are selling milk to city markets or to manufactured milk plants We wish to be fair and helpful to the producer-distributor as well as to the man who ships his milk to a pasteurizing plant at wholesale prices I know that many of the cooperative leaders understand the necessities of our position. . . . Any Federal agency must follow the principle of fair and equitable consideration to the problems of all milk producers. It must follow the cooperative principle of working together for the sound betterment of the milk producers of the land."

The AAA has been criticised by some cooperative leaders as being antagonistic to cooperatives. If by "antagonistic" they mean willingness to give consideration to problems of producers who are not members of cooperatives, they are correct. If by "antagonistic" they mean refusing to accept without question every proposal made by a cooperative or its representative, they are correct. If by "antagonistic" they mean refusing to enter into agreements which will penalize non-members for the benefit of members, they are correct. But if by "antagonistic," they mean endeavoring to undermine the cooperative movement among farmers or to develop programs which will work to the disadvantage of farmers who are members of cooperatives, they are dead wrong.

Another question has been: Why does not the AAA recognize the milk bargaining cooperatives as sole agencies in milk licenses? The AAA would be relieved of many of its problems if it could turn the operations under a license over to the producers in this way. The cooperative would have to be an organization of sufficient standing and experience to give assurance that it could control its membership. Then there would be the question of

the producer who is not a member. I cannot help but wonder if the farmers who are members of the cooperative would benefit from the arrangement and if the leaders and managers would find to their liking the job of operating an agreement or a license which must provide for equal treatment to members and non-members. And if through no fault of the cooperative or its leaders, the agreement or license should prove faulty or impossible of enforcement, would the association involved and the cooperative movement in general lose more than they would gain? In some markets the question would be complicated by the presence of two or more rival cooperatives. I mention these factors, not with the thought that such an arrangement would be impossible, but to call attention to some of the obstacles and to provoke discussion of the whole question.

The activities under the AAA are bringing into the foreground the need for greater cooperation among cooperatives. Too often in the past we have had competing cooperatives in the same field, proselyting each other's members, endeavoring to undermine each other in the market, and so on. Under a marketing agreement all must work together to a common end -- better returns for all. An inter-cooperative feud may prevent the development of a satisfactory agreement or may cause a breakdown in its operation after it is developed. My observation is that ill feeling between competing cooperatives often is greater than that between cooperatives and proprietary marketing agencies. If cooperatives are to exercise their greatest influence in agricultural adjustment, members and their leaders must give ever-increasing attention to cooperation between cooperatives, and less and less to competition between cooperatives.

Then, too, agricultural adjustment calls for action on a nationwide front, and the local or regional cooperatives must work with cooperatives in other localities or regions if the cooperatives are to make the fullest contribution.

The AAA recognizes that all phases of any adjustment program in which it is interested now or in which it is likely to be interested in the future require a higher degree of cooperation among farmers than had been achieved prior to passage of the Agricultural Adjustment Act. At the same time it recognizes that the ability of farmers to work together which has been developed through the cooperative movement in the United States has contributed in very large measure to whatever degree of success has been attained or will be attained.

In closing, I wish to make it absolutely clear that the essence of agricultural adjustment is cooperation among farmers in the production and marketing of their products. Naturally the Administration wants to work with cooperatives already established and to strengthen the cooperative movement among farmers.

The philosophy of the New Deal, as President Roosevelt has more than once explained, is that the power of the Government should be used to enable the 90 percent who are cooperators to organize themselves for the welfare of their group. This means that the non-cooperators who usually make up the other 10 percent must not be allowed to thwart what the 90 percent wish to do.

This, as I understand it, is also the philosophy of the cooperative movement. And so it seems appropriate that the existing cooperative organizations, which have pioneered along a difficult trail, should be at the forefront of the present effort.

